

## Message Text

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ORIGIN PM-03

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 SS-15 OES-03 SP-02

ACDA-05 CIAE-00 INR-07 L-02 NSAE-00 NSC-05 EB-07

NRC-05 FEA-01 ERDA-05 /089 R

DRAFTED BY PM/NPO:LVNOSENZO:JMM

APPROVED BY PM/NPO:LVNOSENZO

C - MR. KELLY

OES - MR. KRATZER (INFORMED)

ARA-LA/BR - MS. ELTZ

EUR/CE - MR. STEINER

S/P - MR. KALICKI

ACDA - MR. BORIGHT

ERDA - MR. POOR

S/S:JPMOFFAT

----- 044659

P R 062342Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

INFO AMEMBASSY BRASILIA

USMISSION IAEA VIENNA

S E C R E T STATE 106059

E.O. 11652: GDS

TAGS:PARM

SUBJECT: FRG NUCLEAR SALE TO BRAZIL

1. AFTER SUPPLIERS EXPLORATORY MEETING IN LONDON ON APRIL 23, PM DIRECTOR VEST, NOSENZO (STATE) AND BORIGHT (ACDA) HAD DINNER WITH FRG MFA DEPUTY UNDERSECRETARY HERMES, RANDERMANN (MFA), HAUBER (MFA), AND LOOSCH (MFT).

2. DURING CONVERSATION, HERMES SAID THAT BASED ON NATURE OF CONSENSUS THAT SEEMED TO BE EMERGING FROM THIS FIRST SECRET

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MULTINATIONAL DISCUSSION, HE FELT FRG CONDITIONS ON SALE TO BRAZIL WERE APPROPRIATE. THEREFORE FRG WOULD PROCEED WITH FINALIZING UMBRELLA AGREEMENT.

3. US PARTICIPANTS REITERATED STRONG NEED FOR FRG INVOLVEMENT IN POLICY DECISIONS AND TECHNICAL OPERATIONS OF ENRICHMENT AND REPROCESSING AND FOR FRG/BRAZIL/AGENCY TRILATERAL SAFEGUARDS AGREEMENT TO ENSURE STRONG SAFEGUARDS PROVISIONS AND FRG ABILITY TO ADD ITEMS TO FACILITIES AND EQUIPMENT LIST FLOWING FROM TECHNOLOGY TRANSFER. FRG OFFICIALS RESPONDED THAT UMBRELLA AGREEMENT PROVIDED SUFFICIENT FLEXIBILITY TO ACCOMMODATE THESE CONCERNS; HOWEVER, THEY CAREFULLY AVOIDED COMMITTING FRG TO IMPLEMENT THESE CONDITIONS. GENERAL TONE OF CONVER-

SATION INDICATED THAT THEY MIGHT BE WILLING TO DO THIS IF ALL OTHER SUPPLIERS AGREED TO THESE CONDITIONS.

4. AS A FOLLOW-UP TO THIS CONVERSATION, VEST WILL DELIVER SUBSTANCE OF TALKING POINTS GIVEN BELOW TO FRG AMBASSADOR VON STADEN ON MAY 7.

5. THE FRG IS WELL AWARE OF US CONCERNS OVER THE PROPOSED SALE TO BRAZIL. THESE CONCERNS ARE PRIMARILY OVER PRECEDENT-SETTING NATURE OF SALE OF BOTH ENRICHMENT AND REPROCESSING TECHNOLOGY, TO A COUNTRY ANTAGONISTIC TOWARDS THE NPT. THE US HAS ABSTAINED FROM SUCH SUPPLY.

6. THE US HAS SUGGESTED, AS A CONDITIONS OF SUPPLY OF THESE SENSITIVE TECHNOLOGIES (IN ADDITION TO BASIC IAEA SAFEGUARDS, AND PNE COMMITMENT, AND PHYSICAL SECURITY MEASURES) THAT SAFEGUARDS BE APPLIED TO ALL NUCLEAR FACILITIES IN THE RECIPIENT STATE, AND THAT A GENERAL COMMITMENT TO NON-PROLIFERATION BE UNDERTAKEN. WE CONTINUE TO BELIEVE THESE CONDITIONS WOULD BE DESIRABLE BUT RECOGNIZE THEY ARE NOT NOW ACCEPTABLE TO ALL SUPPLIERS. AS A PARTIAL SUBSTITUTE, SAFEGUARDS COVERAGE ON SUPPLIED TECHNOLOGY WHICH FRG HAS NEGOTIATED WITH BRAZIL APPEARS USEFUL AND ACCEPTABLE TO ALL MAJOR SUPPLIERS.

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7. WE HAVE ALSO DISCUSSED WITH FRG OTHER SAFEGUARDS-RELATED ASPECTS OF SALE OF SENSITIVE TECHNOLOGIES. WE BELIEVE THAT THE INVOLVEMENT OF THE SUPPLIER IN A TRILATERAL SAFEGUARDS AGREEMENT WOULD PROBABLY BE ACCEPTABLE TO ALL SUPPLIERS. SUCH INVOLVEMENT WOULD BE PARTICULARLY IMPORTANT TO LEND SUPPORT TO THE IAEA IN NEGOTIATING SPECIFIC INSPECTION RIGHTS, AND IN DETERMINING HOW THE TECHNOLOGY COVERAGE IS IMPLEMENTED.

8. A SECOND ASPECT OF SUPPLY WE BELIEVE OF CRITICAL IMPORTANCE IS ASSURED CONTINUING INVOLVEMENT OF THE SUPPLIER IN REPROCESSING AND ENRICHMENT PLANTS CONSTRUCTED WITH SUPPLIER ASSISTANCE. WE UNDERSTAND FRG-

BRAZIL ENRICHMENT AND REPROCESSING COOPERATION IS ENVISAGED AS JOINT INDUSTRIAL VENTURES. WE BELIEVE IT EXTREMELY IMPORTANT TO ASSURE FRG'S RIGHT IN SUCH VENTURES BY SPECIFIC AGREEMENT PERMITTING GOVERNMENTAL INVOLVEMENT. APPROPRIATE INVOLVEMENT COULD PROVIDE ADDED ASSURANCE TO OTHER COUNTRIES OF THE PEACEFUL NATURE OF BRAZIL'S NUCLEAR ACTIVITIES. WE ALSO BELIEVE THERE IS A GOOD CHANCE OF SUPPLIER AGREEMENT ON SUCH

INVOLVEMENT, AT LEAST IN THE ENRICHMENT AREA, AND HOPE TO MOVE TOWARD SUCH AGREEMENT AT NEXT SUPPLIERS MEETING.

9. IN THIS REGARD, WE ALSO ASK THE FRG TO CAREFULLY EXAMINE ITS FLEXIBILITY IN THE DEVELOPMENTAL SCHEDULE. A METHODICAL AND CAREFULLY TIMED SCHEDULE, RELATED TO SPECIFIC NEEDS, COULD DO MUCH TO AVOID MUTUAL CONCERNS AND AN ACCELERATING RACE BETWEEN BRAZIL AND ARGENTINA FOR COMPLETE NUCLEAR CAPABILITY.

10. AS THIRD ASPECT OF SEEKING SPECIAL CONTROLS OVER MATERIAL, WE SUGGEST CONCEPT OF SUPPLIER CONSENT FOR ENRICHMENT, REPROCESSING, AND FOR FABRICATION AND STORAGE OF WEAPONS-USUABLE MATERIAL. THIS WOULD PERMIT SUPPLIERS TO AUTHORIZE SUCH FUNCTIONS FOR MATERIAL, SUPPLIED BY THEM OR USED IN EQUIPMENT SUPPLIED BY THEM, ONLY IN FACILITIES ACCEPTABLE TO BOTH PARTIES. WE INCORPORATED SUCH A PROVISION IN OUR PROPOSED AGREEMENTS FOR  
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COOPERATION WITH EGYPT AND ISRAEL. WE ARE SEEKING TO INCLUDE SIMILAR CLAUSES IN OTHER AGREEMENTS. THIS CONCEPT WAS DISCUSSED BRIEFLY IN THE APRIL SUPPLIERS' MEETING. WE BELIEVE IT IMPORTANT TO ESTABLISH THIS PRECEDENT, PARTICULARLY IN THE CASE OF COUNTRIES NOT PARTY TO NPT. WE RECOGNIZE THAT IN VIEW OF THE NATURE AND STAGE OF THE FRG-BRAZIL DEAL, THIS MAY NOT BE EASY TO ACHIEVE, BUT WE ASK THE FRG TO EXAMINE WAYS OF PRESERVING IN PRINCIPLE, SOME SUCH RIGHTS.

11. THE TIMING OF IMPLEMENTATION OF BRAZIL-FRG DEAL IS OF CONSIDERABLE IMPORTANCE. FOR THE IMMEDIATE FUTURE IT SOULD BE UNFORTUNATE IF A MAJOR ANNOUNCEMENT WERE MADE DURING THE NPT REVIEW CONFERENCE. MORE IMPORTANTLY, WITH SECOND SUPPLIER MEETING TO BE HELD IN JUNE, WE URGE FRG NOT TO CONCLUDE ITS AGREEMENT IN SUCH A WAY AS TO PREJUDICE THESE ASPECTS ON WHICH FURTHER CONSENSUS MIGHT EMERGE.

12. EMBASSY MAY USE GUIDANCE IN PARAGRAPHS 5 TO 12 IN CONTEXT OF FUTURE DISCUSSIONS WITH FRG. HOWEVER, DEPARTMENT BELIEVES FORMAL APPROACH BY EMBASSY ON THESE ITEMS IS NOT REQUIRED AT THIS TIME. DEPARTMENT WOULD APPRECIATE

ANY FURTHER INFORMATION EMBASSY MAY HAVE ON THE PROGRESS  
OF THE SALE. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NUCLEAR ENERGY, SALES, EXPORTERS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE106059  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** PM/NPO:LVNOSENZO:JMM  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
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**Page Count:** 4  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 APR 2003 by ElyME>; APPROVED <16 SEP 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** PARM, UK  
**To:** BONN INFO BRASILIA  
IAEA VIENNA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006